

**§ 704.14 Contracts/written agreements.**

Services, facilities, personnel or equipment shared with any party shall be supported by a written contract, with the duties and responsibilities of each party specified and the allocation of service fee/expenses fully supported and documented.

**§ 704.15 State-chartered corporate credit unions.**

This part does not expand the powers and authorities of any state-chartered corporate credit union, beyond those powers and authorities provided under the laws of the state in which it was chartered.

**§ 704.16 Effective date.**

This regulation is effective beginning December 1, 1992, or June 29, 1992 if the corporate credit union plans to use the expanded authorities of paragraphs 6, 7, and 8 and has substantially complied with the other provisions of this part.

[57 FR 22630, May 28, 1992, as amended at 59 FR 47072, Sept. 14, 1994]

**§ 704.17 Fidelity bond coverage.**

(a) *Scope.* This section provides the fidelity bond requirements for employees and officials in corporate credit unions.

(b) *Review of coverage.* The board of directors of each corporate credit union shall, at least annually, carefully review the bond coverage in force to determine its adequacy in relation to risk exposure and to the minimum requirements in this section.

(c) *Minimum coverage.* Approved Forms. Every corporate credit union will maintain bond coverage with a company holding a certificate of authority from the Secretary of the Treasury. All bond forms, and any riders and endorsements which limit the coverage provided by approved bond forms, must receive the prior written approval of the NCUA Board. The Corporate Credit Union Discovery Bond (NCUA 100) and Standard Form 24 with Credit Union Bond Conversion Endorsement are approved for use by corporate credit unions. Credit Union Blanket Bond Form 581 and Form 23—Extended Form, may also be utilized by corporate credit unions. Fidelity bonds

must provide coverage for the fraud and dishonesty of all employees, directors, officers, and supervisory and credit committee members. Notwithstanding the foregoing, all bonds must include a provision, in a form approved by the NCUA Board, requiring written notification by surety to the Board: (1) When the bond of a credit union is terminated in its entirety; or (2) when bond coverage is terminated, by issuance of a written notice, on an employee, director, officer, supervisory, or credit committee member. Said notification shall be sent to the Secretary of the NCUA Board or designee and shall include a brief statement of cause for termination.

(d) *Minimum coverage amounts.* The minimum amount of bond coverage will be computed based on the corporate credit union's net assets. The following table lists the minimum requirements.

Net assets	Minimum bond (million)
Less than \$50 million .....	\$1.0
\$50–\$99 million .....	2.0
\$100–\$499 million .....	4.0
\$500–\$999 million .....	6.0
\$1.0–\$1.999 billion .....	8.0
\$2.0–\$4.999 billion .....	10.0
\$5.0–\$9.999 billion .....	15.0
\$10.0–\$24.999 billion .....	20.0
\$25.0 billion plus .....	25.0

It is the duty of the board of directors of each corporate credit union to provide adequate protection to meet its unique circumstances by obtaining, when necessary, bond coverage in excess of the above minimums.

(e) *Reduced coverage:* NCUA Approval. Any proposal for reduced coverage must be approved in writing by the NCUA Board at least 20 days in advance of the proposed effective date of the reduction.

(f) *Deductibles.* (1) The maximum amount of deductibles allowed are based on the corporate credit union's primary capital to risk asset ratio as defined in § 704.11(j)(1). The following table sets out the maximum deductibles.

Primary capital to risk assets ratio	Maximum deductible
Less than 4.0 percent .....	7.5 percent of primary capital.